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GRANISLE COPPER LIMITED

ANNUAL REPORT ☐ 1967

FRONT COVER

A view of Babine Lake in winter, looking eastwards from the mainland ferry terminal to the island on which the mine is located. The tug and barge, and concentrate haulage trucks, can be seen in the foreground.

Babine Lake freezes during the winter months; the problem of keeping the ferry route open was solved by the installation of a compressed air bubbler system, anchored and submerged along the line of the route and consisting of a perforated pipe supplied by compressed air from a station located at the mainland ferry landing. Bubbles convey the warmer water at depth to the surface, thereby melting the ice and maintaining a navigable, ice-free channel across the lake, which is dramatically demonstrated in the photograph.

The system has proved to be highly successful and essential transportation remains uninterrupted during the coldest of winters.

GRANISLE COPPER LIMITED

1111 WEST GEORGIA STREET
VANCOUVER 5, B.C.

DIRECTORS

J. H. Colton	W. G. Lane
M. A. Cooper	L. T. Postle
T. G. Ewart	H. R. Malkin
J. H. Hawke	R. M. MacRae
K. Kawakami	P. R. Matthew

OFFICERS

L. T. Postle, President
R. M. MacRae, Vice-President
P. R. Matthew, Vice-President
J. H. Colton, Secretary and Treasurer
J. D. Balden, Assistant Treasurer

MANAGER

A. J. McDougall

TRANSFER AGENT AND REGISTRAR

National Trust Company Limited
Vancouver, Winnipeg, Toronto and Montreal

SHARES LISTED

Toronto Stock Exchange
Vancouver Stock Exchange

AUDITORS

Peat, Marwick, Mitchell & Co., Vancouver, B.C.

HEAD OFFICE

1111 West Georgia Street, Vancouver 5, B.C.

GRANISLE COPPER LIMITED

February 27, 1968

To the Shareholders:

Details of production for the first full year of operations are given below. As the plant was only in operation for six weeks in 1966, comparative figures for 1966 are of no significance.

	1967
Tons Ore Treated	1,943,656
Average Tons Treated per Day	5,325
Tons Waste Removed	399,886
Mill Heads:	
Copper (%)	0.78
Gold (Oz. per ton)	0.011
Silver (Oz. per ton)	0.144
Saleable Metal Produced:	
Copper (Lbs.)	24,630,823
Gold (Ounces)	15,578
Silver (Ounces)	144,326
Average Copper Price received per Lb.	52.25c

No effort was directed towards establishing additional ore reserves, which at December 31 1967 are estimated to be 20,500,000 tons averaging .51% copper. It is expected that the ore to be milled in 1968 will average .59%. During 1967, shipments totalling 35,908 tons of concentrate were made to the Japanese smelters with whom sales contracts are in effect.

In the month of November, B.C. Hydro power became available and the diesel engines which had been supplying power up to that date were disposed of. Coincident with the supply of hydro power, certain revisions were made to the concentrator which enabled the tonnage treated to exceed 6,000 tons per day and this rate is being maintained into 1968.

Continuous improvements were made in the town of Granisle; a retail store and nine new residences were built.

All of the surplus cash from operations, amounting to \$5,793,000, was applied to debt retirement; at December 31 1967 loans and accrued interest totalled \$6,535,000.

The results from this first full year's operations are very gratifying and the contributions of the staff to this end are gratefully acknowledged.

On behalf of the Board,
L. T. POSTLE, President.

GRANISLE COPPER LIMITED

BALANCE SHEET

December 31, 1967

(With comparative figures for 1966)

	ASSETS	1967	1966
Current assets:			
Cash and bank deposits	\$	385,515	\$ 24,085
Accounts receivable		10,528	47,932
Metals in concentrates at estimated realizable values		2,589,437	1,105,555
Materials and supplies, at cost		682,981	200,650
Prepaid expenses		61,442	4,981
Total current assets		3,729,903	1,383,203
Special refundable tax		115,830	—
Refundable power deposit (Note 1)		552,500	300,000
Property, plant and equipment:			
Real estate, buildings and equipment, at cost		11,053,274	11,097,686
Less accumulated depreciation (Note 2)		1,314,774	149,656
		9,738,500	10,948,030
Mining properties, at cost		65,099	65,099
Net property, plant and equipment		9,803,599	11,013,129
Mine development and pre-productive expenditure, less amortization of \$537,999 (1966, \$60,033) (Note 2)		1,851,385	2,329,350
		<u>\$16,053,217</u>	<u>\$15,025,682</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:			
Accounts payable and accrued charges	\$	521,037	\$ 535,116
Accrued payrolls		60,927	42,379
Special refundable tax payable		98,000	—
Total current liabilities		679,964	577,495
Deferred liabilities (Note 3)		6,534,588	12,137,626
Shareholders' equity (Notes 3 and 4):			
Share capital:			
Shares of no par value. Authorized 4,000,000 shares; issued 3,329,919 shares		2,594,982	1,994,982
Earned surplus, per accompanying statement		6,243,683	315,579
Total shareholders' equity		8,838,665	2,310,561
Commitments (Note 1).			
		<u>\$16,053,217</u>	<u>\$15,025,682</u>

Approved on behalf of the Board:

L. T. Postle, Director

R. M. MacRae, Director

See accompanying notes to financial statements.

GRANISLE COPPER LIMITED

STATEMENT OF INCOME

Year ended December 31, 1967

(With comparative figures for the period from
November 16, 1966 to December 31, 1966)

	1967	1966
Production:		
Copper (lbs.)	24,630,823	1,993,310
Gold (ozs.)	15,578	1,341
Silver (ozs.)	144,326	10,711
Value of production:		
Copper	\$12,869,133	\$ 1,063,191
Gold	624,893	55,528
Silver	251,970	15,845
	13,745,996	1,134,564
Cost of production	4,963,578	498,522
Administration and mine office expense	260,505	23,570
	5,224,083	522,092
Profit before the undernoted items	8,521,913	612,472
Interest on deferred liabilities (less interest income \$29,069) ..	653,995	87,204
Profit before depreciation and amortization	7,867,918	525,268
Depreciation	1,461,848	149,656
Amortization of pre-productive expenditure	477,966	60,033
	1,939,814	209,689
Net profit for the period (Note 5)	\$ 5,928,104	\$ 315,579

See accompanying notes to financial statements.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Granisle Copper Limited as of December 31, 1967 and the statements of income and earned surplus and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company at December 31, 1967 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, British Columbia
February 2, 1968.

PEAT, MARWICK, MITCHELL & CO.,
Chartered Accountants.

GRANISLE COPPER LIMITED

STATEMENT OF EARNED SURPLUS

Year ended December 31, 1967

(With comparative figures for the period from
November 16, 1966 to December 31, 1966)

	1967	1966
Balance at beginning of period	\$ 315,579	\$ —
Net profit for the period	5,928,104	315,579
Balance at end of period	<u>\$ 6,243,683</u>	<u>\$ 315,579</u>
See accompanying notes to financial statements.		

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year ended December 31, 1967

(With comparative figures for 1966)

	1967	1966
Funds provided by:		
Operations:		
Net profit for the period	\$ 5,928,104	\$ 315,579
Add charges not requiring cash expenditure:		
Depreciation and amortization	1,939,814	209,689
Deferred interest expense	89,797	87,204
Funds provided by operations	<u>7,957,715</u>	<u>612,472</u>
Deferred liabilities:		
Bank and other secured loans	—	9,171,089
Unsecured advances	100,000	900,000
Issue of share capital	600,000	—
Proceeds of sale of equipment	210,454	—
Total funds provided	<u>\$8,868,169</u>	<u>\$ 10,683,561</u>
Funds applied to:		
Purchase of buildings and equipment	\$ 462,773	\$ 8,820,026
Repayment of deferred liabilities:		
Bank loan	3,228,594	—
Other secured loans and accrued interest	2,564,241	—
Refundable power deposit	252,500	300,000
Special refundable tax	115,830	—
Mine development and pre-productive expenditure	—	844,384
Total funds applied	<u>6,623,938</u>	<u>9,964,410</u>
Increase in working capital	2,244,231	719,151
Working capital at beginning of year	805,708	86,557
Working capital at end of year	<u>\$ 3,049,939</u>	<u>\$ 805,708</u>
Working capital:		
Current assets	\$ 3,729,903	\$ 1,383,203
Current liabilities	679,964	577,495
Working capital at end of year	<u>\$ 3,049,939</u>	<u>\$ 805,708</u>
See accompanying notes to financial statements.		

GRANISLE COPPER LIMITED

NOTES TO FINANCIAL STATEMENTS

December 31, 1967

1. REFUNDABLE POWER DEPOSIT:

Under an agreement with the British Columbia Hydro and Power Authority for the supply of electricity to the mine, the company has made deposits aggregating \$552,500. These deposits bearing interest at 5% will be refundable over a period of six years commencing November 1, 1970. Charges for electricity for the first four years will be credited against a further liability of \$187,500. It is considered that as a result of these credits, no payment will have to be made on this latter liability.

2. DEPRECIATION AND AMORTIZATION:

Depreciation of the plant, buildings and equipment has been calculated on a straight-line method at 8% on cost. Depreciation of the mobile equipment has been calculated on the diminishing-balance method at 30%. The temporary diesel power plant, which was disposed of when power could be obtained from the British Columbia Hydro and Power Authority, was depreciated by \$293,338 during 1967 to its saleable value. Amortization of pre-productive expenditure has been calculated on a straight-line method at 20% as it is intended to amortize these costs over five years from November 16, 1966.

3. DEFERRED LIABILITIES:

Particulars of the deferred liabilities are:

	1967	1966
Bank loan, secured by a \$3,000,000 U.S. 5½ %		
First Mortgage debenture and other security	\$ —	\$ 3,228,594
Loans secured by:		
8% Series "A" bonds. Authorized and issued \$1,402,500 U.S.	1,508,184	1,508,184
6½ % Series "B" bonds. Authorized and issued \$3,510,000 U.S. (1966 \$5,610,000 U.S.)	3,783,534	6,047,186
6% Unsecured advances from The Granby Mining Company Limited	1,000,000	900,000
	6,291,718	11,683,964
Accrued interest	242,870	453,662
	<u>\$ 6,534,588</u>	<u>\$12,137,626</u>

The Series "A" and "B" bonds are secured by fixed mortgages and floating charges on the assets of the company. The loans secured by these bonds are repayable by July 1, 1974 out of cash flow (as defined) of the company.

The unsecured advances of \$1,000,000 from The Granby Mining Company Limited will be repaid after the Series "A" and "B" bonds have been redeemed.

The trust deeds securing the Series "A" and "B" bonds prohibit the payment of dividends by the company until the bonds and accrued interest thereon have been repaid.

4. SHARE CAPITAL:

On December 29, 1967, two Japanese companies exercised their option to acquire 300,000 shares at \$2 per share.

5. NET PROFIT FOR THE YEAR:

Under Section 83(5) of the Income Tax Act the company has been granted an exemption from Federal income tax on its mining profits for the three years from December 1, 1966.

6. ADMINISTRATIVE EXPENSES:

Remuneration of the directors and "senior officers" (as defined in the British Columbia Securities Act) amounted to \$103,297 in 1967.

7. Current assets and current liabilities in United States dollars have been converted at the approximate rate of exchange prevailing at December 31, 1967. Deferred liabilities in United States dollars have been converted at rates prevailing when the funds were received.



The concentrator and surface buildings at Granisle's Babine Lake property.

A view of the equipment working in the open pit.

